

Higher property and energy taxes on tap

■ Council straw vote expected
Thursday; final decision next week

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STAFF WRITER

With budget deliberations drawing to a close, the County Council is signaling preliminary moves toward increasing the property and energy taxes, measures that will have taxpayers digging deeper into their wallets to help balance the county's budget and close a \$297 million budget deficit.

Along the way, the council has tentatively signaled a preference:

- To reinstate about \$25 million in public school funding that County Executive Isiah Leggett cut from the system's request.

- To extend to eight years pre-funding of employee retirement benefits.

- To shelve an ambulance fee that would have raised about \$7 million.

CONT.

BUDGET

The final budget will be approved next week.

Left outstanding is a decision on whether to revise the salary and benefit agreements with the county's six employee and schools unions in order to close the budget deficit.

On Monday, with three days to go until Thursday's straw vote, the council's actions had them \$10 million over Leggett's \$4.3 billion spending plan for fiscal 2009, which begins in July.

Decisions on the benefits package and energy taxes are expected today, along with an update of revenues and expenses from county finance officials. April figures for transfer and recordation tax collections — taxes paid when property is bought and sold — show that the county has taken a hit from the national housing downturn. For the first nine months of fiscal 2008, the collections were down 23.7 percent, according to finance numbers.

With downturns expected for other categories of tax collections, Leggett (D) has urged the council to be "prudent" in its decisions, including approving a 7.5-cent property tax rate increase in his recommended spending plan. The increase would bring in \$138 million more than the county charter allows. To reduce the hit, homeowners would receive a \$1,014 tax credit.

Under Leggett's plan, tax bills for the average homeowner — homes valued at \$415,425 — would see an increase of 9 percent, or \$251, in their tax bills. Commercial and rental properties would see increases of about 20 percent.

Some council members, including Duchy Trachtenberg, chairwoman of the council's finance committee, have objected to Leggett's proposal, saying it would hurt renters and commercial property owners. The increase is "too large in this economic climate," Trachtenberg (D-Arlarge) of North Bethesda said in a statement Monday.

Instead the committee has recommended reducing the rate increase by 2 cents to 5.5 cents. Under the Management and Fiscal Policy Committee's plan, the homeowner credit would decrease to \$361. The average homeowner would see a 17 percent increase, about \$510.

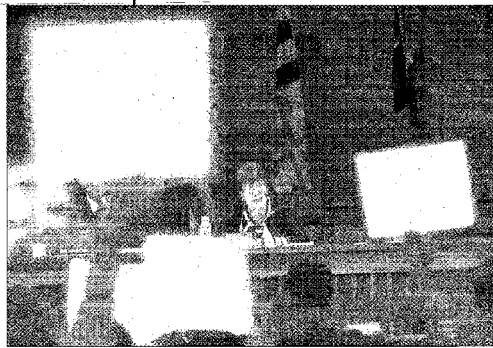
The full council is expected to decrease Leggett's rate and approve a credit between \$350 and \$500, Council President Michael J. Knapp (D-Dist. 2) of Germantown said on Monday.

Leggett has cautioned against the rate and credit changes.

"By reducing the tax credit, you are treating homeowners and businesses similarly, and when you do that, you increase the cost to the individual homeowners," Leggett said in an interview Monday. "The council proposal is less progressive, and hammers the same people who are being hit by increased parking and mass transit fees and water and sewer fees: the middle-income group of homeowners."

The council likely will need a seven-vote supermajority to pass the budget because it seems set to exceed the charter's limit on revenue growth.

To generate more revenue, the council is also considering implementing a proposal by Councilwoman Nancy M. Floreen to increase the energy tax on environmentally damaging energy sources. A proposed



Union members hold up signs during a heated exchange with County Council member Duchy Trachtenberg during a council committee meeting Friday.

10 percent increase on electricity, 20 percent increase on coal and 5 percent on natural and liquefied petroleum gas would generate \$11 million. Floreen (D-Arlarge) of Garrett Park estimated that the fee would cost about \$10 a year for average residents.

Leggett is also opposed to an energy tax increase, calling it a "regressive" tax. "To me, I'm not sure that's efficient because by adding on the energy tax, you would add that fee on to renters as well as the same homeowners [paying increased property taxes]," he said. "The energy tax is not progressive. It's a flat tax. You can't write it off."

Also not being written off is a decision on what to do about employee compensation agreements.

A council committee meeting last week heated up when two of the three members recommended cutting union members' compensation by \$40 million. Trachtenberg had recommended cutting a 2 percent cut to cost-of-living adjustments to save the county money. With 80 percent of the county's budget designated for salary and benefits, Trachtenberg and Philip M. Andrews voted for the \$40 million savings. Valerie Ervin (D-Dist. 5) of Silver Spring voted against it.

The contracts with the unions provide compounded salary increases ranging from 26 percent to 28 percent over three years, according to council staff. Cost-of-living increases range from 4 percent to 5 percent for union members. Each percentage point increase in COLAs equates to \$23 million.



Andrews

Union officials called the recommendation "a slap in the face."

The reduction — combined with a modest tax increase and cuts to programs — should be taken, said Andrews (D-Dist. 3) of Gaithersburg, who said he had to represent the thousands of county residents not at the meeting.

The fight over compensation increases has fueled a heated debate with several county residents on both sides of the issue.

"While so many people are truly struggling to find a way to keep a roof over their heads, it sounds downright unconscionable for [the] County Council to expect to fund pay raises. Government officials, it seems are right up there with the oil execs, and who is footing the bill?" said Mary Snider, a Germantown resident, in an e-mail to The Gazette.

But if it were not for county employ-



County employee Sean Collins of Gaithersburg holds up signs as nurse Nancy Krause of Gaithersburg tries to speak to Trachtenberg in Friday's meeting.

ees, there would be no services, said Anne Marie Martinez, a former five-year Housing Opportunities Commission employee.

"At a time when we're paying higher taxes, food costs, gasoline, and the county wants to take cost of living [increase] away, that is outrageous," she said. "I hope it doesn't happen. If it did, and I was a county employee, I'd walk out. I'd protest."

The council will decide on the agreements today.

Overall, both Leggett and Knapp said the council and administration are close to budget harmony.

"We are fairly close on the property tax, and I think we are talking about the margins at this point," Leggett said.

The council is reallocating funding throughout the budget to reinstate some public safety positions and about \$26 million for the school system.

In a worksession Monday, the council did not object to the education committee's recommendation for the reinstatement.

Under the recommendation, the school system could still afford pay increases for employees, but it may have to scale back on middle school reform and the Middle School Magnet Consortium.

Unlike Leggett's first budget, in which he proposed reducing the schools' allocation by \$19.7 million and several groups protested, his proposed \$51 million reduction this year has been met with less resistance.

"We're not going to cut services because that's what's on the table," Knapp said. "What we have done is slowed the overall rate of increase, slowed the rate of growth."

Staff Writers C. Benjamin Ford, Marcus Moore and Margie Hyslop contributed to this report.

IT'S NOT JUST TAXES

Montgomery County residents will see a number of fees increase as the County Council approves a budget plan for the upcoming fiscal year.

WSSC

■ 8% rate hike, or \$45 annual increase for average user, for budget and infrastructure repair

Montgomery College

Semester hour rate increases:

- From \$96 to \$98 for county residents
- From \$107 to \$203 for state residents
- From \$266 to \$275 for non-residents

Parks

- Many ice rink user fees to increase from 2% to 20%, effective September
- Group lesson tennis fees to increase from 10% to 13%, effective September
- Some conference center user fees to increase from 2% to 50%, effective January 2009

Permitting Services*

- 2.3% increase in fees and fines, for increased labor costs
- 2% increase in fees and fines for one-time cost for credit payment expenses

Wheaton Parking District

- From \$0.35 to \$0.50 per hour

Silver Spring Parking District

- From \$0.45 to \$0.50 per hour for long-term parking
- From \$0.60 to \$0.75 per hour for short-term parking
- From \$0.50 to \$0.75 per hour for pay-on-foot parking

Solid Waste Services

- From \$198.42 to \$207.77 for single-family household charge
- From \$66 to \$73 for yard trim tipping charge
- From \$80.54 to \$93.04 for vacuum leaf collection

Transit Services

- From \$1.25 to \$1.35 for fares
- From \$20 to \$27 for Ride On 20-Trip ticket
- Eliminate two-week \$10 pass and begin monthly \$25 pass

Recreation

- Raise \$362,960 from higher fees for aquatic classes, pool passes, Summer Fun Centers, memberships for open gym and weight rooms, community center after-school programs, Club Friday program and Fairland Leadership program

Commission for Women

- From \$16 to \$20 for workshops
- From \$40 to \$50 for professional counseling
- From \$45 to \$55 for continuing education seminars

Environmental Protection

- From \$25.23 to \$35.50 for water quality protection charge

Fire Rescue Service

- New ambulance fee to raise \$7 million**
- Fire investigation report fee to raise \$50,000

Ethics Commission

- Lobbyist registration fee to raise \$25,500

* OTHER PERMITTING SERVICES FEE INCREASES EFFECTIVE JULY 1, 2008
** COUNCIL NOT EXPECTED TO INCLUDE FEE IN APPROVED BUDGET

SOURCE: RECOMMENDED FY09 OPERATING BUDGET AND PUBLIC SERVICES PROGRAM, MARYLAND NATIONAL CAPITAL PARK AND PLANNING COMMISSION, WASHINGTON SUBURBAN SANITARY COMMISSION